

Message Text

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ORIGIN EB-08

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EA/J:H A COCHRAN (SUBS)
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O R 272351Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY SEOUL IMMEDIATE
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMCONSUL HONG KONG
INFO AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY PARIS

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USEEC

E.O. 11652:N/A

TAGS: ETRD

SUBJECT: CITIZENS BAND (CB) TRANCEIVERS--PRESIDENT CARTER
GRANTS MODIFIED TARIFF RELIEF

REF: STATE 23385 AND STATE 41778

1. PRESIDENT CARTER HAS DECIDED TO GRANT TEMPORARY
IMPORT RELIEF TO THE DOMESTIC CB RADIO TRANSCEIVER
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INDUSTRY. THE FOLLOWING PRESS RELEASE WILL BE ISSUED BY
THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE
NEGOTIATIONS ON MARCH 28 AT 9:00 A.M.

2. BEGIN TEXT. OFFICE OF THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS, EXECUTIVE OFFICE OF THE PRESIDENT,
WASHINGTON, D.C. 20506

PRESIDENT CARTER GRANTS MODIFIED TARIFF RELIEF ON
CITIZENS BAND (CB) RADIO TRANSCEIVERS

PRESIDENT CARTER HAS DECIDED TO GRANT TEMPORARY IMPORT RELIEF TO DOMESTIC PRODUCERS OF CITIZENS BAND (CB) RADIO TRANSCEIVERS IN THE FORM OF AN INCREASED TARIFF RATE FOR THREE YEARS ON U.S. IMPORTS ON THESE ITEMS (EXCEPT HAND-HELD CBS), AMBASSADOR ROBERT S. STRAUSS, THE PRESIDENT'S

SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ANNOUNCED TODAY. THE PRESIDENT'S ACTION WAS TAKEN UNDER THE "ESCAPE CLAUSE" PROVISIONS (SECTIONS 201 FF.) OF THE TRADE ACT OF 1974.

IN FEBRUARY, THE UNITED STATES INTERNATIONAL TRADE COMMISSION (USITC) FOUND THAT THE DOMESTIC INDUSTRY HAD BEEN SERIOUSLY INJURED, OR THREATENED WITH SERIOUS INJURY, SUBSTANTIALLY BECAUSE OF INCREASED IMPORTS. THREE COMMISSIONERS RECOMMENDED THAT THE TARIFF RATE ON CITIZENS BAND (CB) RADIO TRANSCEIVERS (WHICH CURRENTLY IS SIX PERCENT AD VALOREM) BE INCREASED BY 30 PERCENTAGE POINTS IN THE FIRST YEAR FOR EACH OF THE FOLLOWING FOUR YEARS. THE OTHER THREE COMMISSIONERS RECOMMENDED ADJUSTMENT ASSISTANCE FOR WORKERS, FIRMS AND COMMUNITIES UNDER THE TRADE ACT BE MADE AVAILABLE AS SOON AS POSSIBLE TO LIMITED OFFICIAL USE

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THE INJURED INDUSTRY.

PRESIDENT CARTER DETERMINED THAT NEITHER OF THE RECOMMENDATIONS OF THE USITC MEETS THE STATUTORY "NATIONAL ECONOMIC INTEREST" CRITERIA IN THIS CASE. HE DETERMINED, HOWEVER, THAT A MODIFIED FORM OF IMPORT RELIEF IS IN THE NATIONAL ECONOMIC INTEREST AND THEREFORE WILL PROCLAIM A TARIFF INCREASE WITH RESPECT TO CITIZENS BAND (CB) RADIO TRANSCEIVERS (EXCEPT HAND-HELD) OF 15 ADDITIONAL PERCENTAGE POINTS IN THE FIRST YEAR, TO BE PHASED DOWN IN THREE PERCENTAGE POINT DECREMENTS FOR THE FOLLOWING TWO YEARS. THE DUTY WILL THEN REVERT TO ITS CURRENT RATE OF SIX PERCENT AD VALOREM. A PRESIDENTIAL PROCLAMATION IMPLEMENTING THE INCREASE IN THE TARIFF RATES WILL BE PUBLISHED IN THE FEDERAL REGISTER WITHIN THE NEXT 15 DAYS.

IN ANNOUNCING THE PRESIDENT'S DECISION, AMBASSADOR STRAUSS POINTED OUT THAT IMPOSITION OF THE INCREASED TARIFF REMEDY RECOMMENDED BY THE USITC WOULD HAVE RESULTED IN SIGNIFICANT INCREASES IN COSTS TO PURCHASERS. AT A TIME WHEN CONTROLLING INFLATION IS A NATIONAL PRIORITY, THESE INCREASED COSTS WOULD BE UNACCEPTABLE, AMBASSADOR

STRAUSS SAID.

THE MODERATE TARIFF INCREASE OVER A THREE YEAR PERIOD WILL HAVE A MUCH SMALLER PRICE EFFECT THAN THE 30 PERCENT ADDED DUTY OVER A FIVE YEAR PERIOD RECOMMENDED BY THE USITC. AMBASSADOR STRAUSS NOTED THAT DOMESTIC FIRMS HAVE RECENTLY INCURRED LARGE LOSSES ON THEIR OPERATIONS BECAUSE CBS HAVE BEEN SELLING AT LESS THAN 50 PERCENT OF 1976 PRICE LEVELS AND OFTEN AT OR BELOW THEIR COSTS OF PRODUCTION. SEVERAL DOMESTIC FIRMS HAVE BEEN FORCED TO SHUT DOWN OR HAVE GONE BANKRUPT. OVER THREE-FOURTHS OF

THE INDUSTRY'S WORKERS HAVE LOST THEIR JOBS IN THE PAST TWO YEARS. THE TARIFF INCREASE PROCLAIMED WOULD PERMIT LIMITED OFFICIAL USE

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DOMESTIC PRODUCERS OF CBS TO INCREASE SLIGHTLY THEIR PRICES AND, AT THE SAME TIME, TO COMPETE WITH IMPORTS WHICH NOW COMPRISE ABOUT 92 PERCENT OF THE DOMESTIC MARKET.

PRICE INCREASES WOULD NOT BE LIKELY TO REACH PREVIOUS LEVELS. AS CB RADIOS ARE A FINAL CONSUMER PRODUCT, THERE WOULD BE NO PRICE RIPPLE EFFECTS. THEREFORE, IT IS EXPECTED THAT THE MODERATE TARIFF INCREASE WOULD HAVE A NEGLIGIBLE IMPACT ON OVERALL INFLATION.

DOMESTIC PRODUCERS MAY BE ABLE TO EXPAND THEIR SHARE OF THE DOMESTIC MARKET BY UTILIZING THEIR ALREADY DEVELOPED, BUT NOW EXCESS, PRODUCTION CAPACITY.

AMBASSADOR STRAUSS ALSO NOTED THAT ADJUSTMENT ASSISTANCE ALONE WOULD NOT BE EFFECTIVE IN HELPING THE DOMESTIC INDUSTRY COPE WITH ITS CURRENT PROBLEMS OF SEVERE INVENTORY OVERHANG, LOW PRICES, AND PAST FINANCIAL LOSSES. HOWEVER, FIRMS, WORKERS, AND COMMUNITIES IN WHICH THEY ARE LOCATED, STILL REMAIN ELIGIBLE FOR ADJUSTMENT ASSISTANCE.

IN 1972 DOMESTIC SALES OF CBS WERE AN ESTIMATED 47 MILLION DOLLARS, WHILE IMPORTS WERE VALUED AT 37 MILLION DOLLARS. DEMAND FOR CBS INCREASED DRAMATICALLY IN RECENT YEARS, BUT PEAKED IN 1976, WITH ESTIMATED DOMESTIC SALES OF 13.5 MILLION UNITS VALUED AT 940 MILLION DOLLARS, WHILE IMPORTS IN THAT YEAR EXCEEDED SALES AND TOTALED 15.3 MILLION CB UNITS. IN 1977, SALES OF CB UNITS DROPPED SHARPLY TO ABOUT 8.1 MILLION UNITS (500 MILLION DOLLARS) AND IMPORTS DECLINED TO ABOUT 7.7 MILLION CB UNITS. THE RATIO OF IMPORTS TO U.S. CONSUMPTION BASED ON VALUE INCREASED FROM 78 PERCENT IN 1972 TO 92 PERCENT IN LIMITED OFFICIAL USE

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1977. PRODUCERS IN JAPAN SUPPLIED 85 PERCENT OF THESE IMPORTS IN 1977 AND PRODUCERS IN TAIWAN, SOUTH KOREA AND HONG KONG ACCOUNTED FOR 14 PERCENT. SALES OF CBS ARE NOT PERMITTED IN JAPAN AND OTHER EXPORTING COUNTRIES. END TEXT.

3. FOR ADDRESSEE POSTS: YOU MAY INFORM HOST GOVERNMENTS OF CONTENT OF PRESS RELEASE AND REQUEST THAT IT BE EMBARGOED UNTIL 9:00 A.M. EST, MARCH 28, WHEN IT WILL BE RELEASED IN WASHINGTON.

4. DECONTROL FOLLOWING RELEASE NOTED ABOVE. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, TRADE CONTROLS, TARIFFS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: J S SPIRO:CMS
Enclosure: n/a
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Film Number: D780133-0582
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780321/aaaaarnk.tel
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Litigation History:
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Message ID: f3ac12bd-c288-dd11-92da-001cc4696bcc
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